

KALKASKA COUNTY
REPORT ON FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

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FINANCIAL SECTION



Independent Auditor's Report

Honorable Chairman and Members
of the Board of Commissioners
Kalkaska County
Kalkaska, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Kalkaska County, as of and for the year ended December 31, 2007, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Kalkaska County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the component-unit financial statements of the County Road Commission which statements reflect 100 percent of the assets, net assets and revenues, of the discretely presented component unit. Those statements were audited by other auditors, whose report thereon have been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included for the County Road Commission, are based solely upon the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit and the report of other auditors, provides a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Kalkaska County, as of December 31, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 24, 2008, on our consideration of Kalkaska County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The managements discussion and analysis and required budgetary comparison on pages 3 through 9 and pages 44 through 46, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally if inquires of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Kalkaska County's, basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Certified Public Accountants
June 24, 2008

This section of Kalkaska County's annual financial report presents its discussion and analysis of the government's financial performance during the year ending December 31, 2007 and 2006.

Financial Highlights

The assets of Kalkaska County exceed its liabilities at the close of fiscal year 2007, by \$10,261,860. Of this amount \$6,368,059 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.

- At December 31, 2007, the County's governmental funds reported combined ending fund balances of \$4,327,650.
- At December 31, 2007, unreserved fund balance for the General Fund was \$6,804 or .10% of General Fund expenditures.
- Governmental fund revenues and expenditures were \$9,596,544 and \$9,840,145, respectively.
- Total long-term debt in the Governmental Activities was \$-0- at December 31, 2007.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the County financial statements. The County basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

GOVERNMENT-WIDE FINANCIAL STATEMENTS. The *government-wide financial statements* are designed to provide readers with a broad overview of the County finances, in a manner similar to a private sector business.

The *statement of net assets* presents information on all of the County's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in *net assets* may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement of some items that will only result in cash flows in future fiscal periods (e.g. accrued interest expense).

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues from other functions that are intended to recover all or a significant portion of their costs through user fees and charges. The governmental activities of the County include legislative, judicial, general government, public safety, public works, health and welfare, and recreation and culture. The business-type activities of the County include delinquent property tax collection and Sportsplex.

The government-wide financial statements include not only the County itself (known as the primary government), but also a legally separate Road Commission unit for which the County is financially accountable. Financial information for the component unit is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 10-11 of this report.

FUND FINANCIAL STATEMENTS. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, used fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

GOVERNMENTAL FUNDS. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financial decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The County maintains individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenue, expenditures, and changes in fund balances for the general fund, considered to be the major fund. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The County adopts an annual appropriated budget for its general and special revenue funds. Budgetary comparison statements or schedules have been provided herein to demonstrate compliance with those budgets for the County's major fund.

The basic governmental fund financial statements can be found on page 12-15 of this report.

PROPRIETARY FUNDS. The County maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The County uses enterprise funds to account for its delinquent taxes and the sportsplex.

The basic proprietary fund financial statements can be found on pages 16-19 of this report.

FIDUCIARY FUNDS. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on page 20 of this report.

NOTES TO THE FINANCIAL STATEMENT. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 21-43 of this report.

Kalkaska County
Management's Discussion and Analysis
December 31, 2007

OTHER INFORMATION. The combining statements referred to earlier in connection with non-major governmental funds are presented following the notes to the financial statement. Combining statements and schedules can be found on pages 47-58 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Kalkaska County, assets exceeded liabilities by \$10,261,860 as of December 31, 2007, compared with \$10,394,796 for the year ended December 31, 2006. A large portion of the County's net assets reflects its investment in capital assets (e.g. land, buildings, vehicles, and equipment); less any related debt used to acquire those assets that are still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The County's net assets decreased by \$132,936 during the year.

KALKASKA COUNTY
NET ASSETS
DECEMBER 31, 2007 AND 2006

	2007			2006		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Current and other assets	\$ 7,137,309	\$ 3,108,579	\$ 10,245,888	\$ 7,093,345	\$ 3,105,854	\$ 10,199,199
Capital assets	3,423,096	5,541,443	8,964,539	3,583,428	5,679,475	9,262,903
Total assets	<u>\$ 10,560,405</u>	<u>\$ 8,650,022</u>	<u>\$ 19,210,427</u>	<u>\$ 10,676,773</u>	<u>\$ 8,785,329</u>	<u>\$ 19,462,102</u>
Long-term liabilities outstanding	\$ 172,636	\$ 4,825,000	\$ 4,997,636	\$ 162,073	\$ 5,075,000	\$ 5,237,073
Other liabilities	2,809,659	1,141,272	3,950,931	2,785,594	1,044,639	3,830,233
Total liabilities	<u>2,982,295</u>	<u>5,966,272</u>	<u>8,948,567</u>	<u>2,947,667</u>	<u>6,119,639</u>	<u>9,067,306</u>
Net assets:						
Invested in capital assets, net of related debt	3,423,096	466,443	3,889,539	3,583,428	404,475	3,987,903
Restricted	4,262	-	4,262	356,851	-	356,851
Unrestricted	<u>4,150,752</u>	<u>2,217,307</u>	<u>6,368,056</u>	<u>3,788,827</u>	<u>2,261,215</u>	<u>6,050,042</u>
Total net assets	<u>7,578,110</u>	<u>2,683,750</u>	<u>10,261,860</u>	<u>7,729,106</u>	<u>2,665,690</u>	<u>10,394,796</u>
Total liabilities and net assets	<u>\$ 10,549,249</u>	<u>\$ 8,650,022</u>	<u>\$ 19,210,427</u>	<u>\$ 10,676,773</u>	<u>\$ 8,785,329</u>	<u>\$ 19,462,102</u>

Kalkaska County
Management's Discussion and Analysis
December 31, 2007

KALKASKA COUNTY
CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

	2007			2006		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Revenues:						
Program revenues:						
Charges for services	\$ 2,414,105	\$ 1,174,923	\$ 3,589,028	\$ 2,467,090	\$ 941,757	\$ 3,408,847
Operating grants and contributions	1,856,199	-	1,856,199	1,823,919	-	1,823,919
Capital grants and contributions	2,493	-	2,493	3,851	-	3,851
General revenues:						
Property taxes	4,507,325	542,824	5,050,149	5,371,494	453,427	5,824,921
Other	816,422	5,248	821,670	743,898	83,054	826,952
Total revenues	<u>9,596,544</u>	<u>1,722,995</u>	<u>11,319,539</u>	<u>10,410,252</u>	<u>1,478,238</u>	<u>11,888,490</u>
Expenses:						
Governmental activities:						
Legislative	184,720	-	184,720	148,710	-	148,710
Judicial	1,200,173	-	1,200,173	1,223,362	-	1,223,362
General government	2,011,907	-	2,011,907	1,919,922	-	1,919,922
Public safety	3,847,224	-	3,847,224	3,689,946	-	3,689,946
Public works	91,115	-	91,115	96,692	-	96,692
Health and welfare	1,817,182	-	1,817,182	1,774,841	-	1,774,841
Recreation and culture	326,672	973,288	1,299,960	354,541	970,704	1,325,245
Other	532,047	-	532,047	493,017	-	493,017
Delinquent property tax	-	468,147	468,147	-	180,614	180,614
Total expenses	<u>10,011,040</u>	<u>1,441,435</u>	<u>11,452,475</u>	<u>9,701,031</u>	<u>1,151,318</u>	<u>10,852,349</u>
Change in net assets before transfers	<u>(414,496)</u>	<u>281,560</u>	<u>(132,936)</u>	<u>709,221</u>	<u>326,920</u>	<u>1,036,141</u>
Transfers in (out)	<u>263,500</u>	<u>(263,500)</u>	<u>-</u>	<u>235,716</u>	<u>(235,716)</u>	<u>-</u>
Increase (decrease) in net assets	<u>(150,996)</u>	<u>18,060</u>	<u>(132,936)</u>	<u>944,937</u>	<u>91,204</u>	<u>1,036,141</u>
Net assets, beginning	<u>7,729,106</u>	<u>2,665,690</u>	<u>10,394,796</u>	<u>6,784,169</u>	<u>2,574,486</u>	<u>9,358,655</u>
Net assets, ending	<u>\$ 7,578,110</u>	<u>\$ 2,683,750</u>	<u>\$ 10,261,860</u>	<u>\$ 7,729,106</u>	<u>\$ 2,665,690</u>	<u>\$ 10,394,796</u>

The primary reason for the decrease in net assets was the payment of two years of retroactive pay awarded through 312 arbitration. The net cost to the County for the wage and fringe award was \$117,350.

Financial Analysis of the Government's Funds

As noted earlier, Kalkaska County uses fund accounting to insure and demonstrate compliance with finance-related requirements.

Government funds. The focus of Kalkaska County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing Kalkaska County's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of December 31, 2007, Kalkaska County's governmental funds reported combined ending balances of \$4,327,650. Approximately 99% of this total constitutes unreserved fund balance, which is available for spending at Kalkaska County's discretion. The remainder of the fund balance is reserved for specific commitments.

The general fund is the chief operating fund of Kalkaska County. As of December 31, 2007, unreserved fund balance of the general fund was \$6,804.

The fund balance of Kalkaska County's general fund decreased by \$29,187 during the current fiscal year.

Proprietary funds. Kalkaska County's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the proprietary funds at December 31, 2007 were \$2,683,750. With a majority of the net assets in the Tax Payment Fund of \$2,424,171.

General Fund Budgetary Highlights

Significant differences between the original budget and the final amended budget of the major funds can be briefly summarized as follows:

REVENUE:

CURRENT TAXES WAS INCREASE BY	\$53,000
PERSONAL PROPERTY TAXES WAS INCREASED BY	\$24,000
PRISONER BOARD FEES WAS DECREASED BY	\$54,000
INTEREST INCOME WAS INCREASE BY	\$30,000
TRANSFER IN FROM OTHER FUNDS WAS INCREASED BY	\$225,000

EXPENSE:

COMMISSIONER LEGAL SERVICES INCREASE BY	\$54,300
46 TH CIRCUIT TRIAL COURT WAS INCREASED BY	\$68,500
SHERIFF LAW ENFORCEMENT WAS INCREASE BY	\$55,300
CORRECTIONS DEPARTMENT WAS INCREASE BY	\$48,600
TRANSFER OUT TO OTHER FUNDS WAS INCREASED BY	\$174,000

Kalkaska County
Management's Discussion and Analysis
December 31, 2007

Capital Asset and Debt Administration

Capital assets. Kalkaska County's investment in capital assets for its governmental and business type activities as of December 31, 2007, amount to \$8,964,539 (net of accumulated depreciation). This investment in capital assets includes land, land improvements, buildings, vehicles, and machinery and equipment.

Major capital asset events during the current fiscal year included the following:

1.	Maintenance vehicle with plow	\$25,663
2.	Two Police Expeditions	\$51,614
3.	Two maintenance trailers	\$4,000
4.	Two Ford Explorers	\$46,962
5.	Police Snowmobile	\$6,659
6.	Marine Boat and trailer	\$6,146

KALKASKA COUNTY
CAPITAL ASSETS (net of accumulated depreciation)
DECEMBER 31, 2007

	Governmental Activities	Business-type Activities	Total
Land	\$ 281,327	\$ -	\$ 281,327
Buildings	2,323,376	5,508,045	7,831,421
Land Improvements	114,238	-	114,238
Machinery and equipment	704,155	33,398	737,553
	<u>\$ 3,423,096</u>	<u>\$ 5,541,443</u>	<u>\$ 8,964,539</u>

Long-term debt. At December 31, 2007, Kalkaska County had total bonded debt outstanding of \$5,275,000.

KALKASKA COUNTY
OUTSTANDING DEBT
DECEMBER 31, 2007

	Governmental Activities	Business-type Activities	Total
General obligation	<u>\$ -</u>	<u>\$ 5,075,000</u>	<u>\$ 5,075,000</u>

Kalkaska County's total debt decreased by \$200,000 during the year ended December 31, 2007.

Economic Factors and Next Years Budgets and Rates

- Taxable value of property taxes increased in 2008 but at a slower growth rate.
- The increase in the cost of energy: heating, electric and gasoline
- The increase in the cost of fringe benefits: health insurance and retirement costs
- The County anticipates the slow economic growth to continue into 2008.

All of these factors were considered in preparing Kalkaska County's budget for the 2008 fiscal year.

Request for Information

This financial report is designed to provide a general overview of the County finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be referred to the Kalkaska County Controller, 605 N Birch Street, Kalkaska, MI 49646.

KALKASKA COUNTY
STATEMENT OF NET ASSETS
DECEMBER 31, 2007

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Kalkaska County Road Commission
ASSETS				
Cash	\$ 4,456,750	\$ 952,363	\$ 5,409,113	\$ 505,179
Receivables:				
Taxes	670,848	1,569,286	2,240,134	-
Accounts	1,033,906	8,476	1,042,382	467,223
Interest	6,404	10,349	16,753	-
Due from State	229,808	-	229,808	-
Due from other government units	42,186	-	42,186	-
Due from other funds	549,322	533,642	1,082,964	-
Inventories	-	2,009	2,009	355,273
Prepaid expenses	148,085	32,454	180,539	-
Capital assets (net of accumulated depreciation)				
Land	281,327	-	281,327	-
Other capital assets	3,141,769	5,541,443	8,683,212	14,064,291
TOTAL ASSETS	\$ 10,560,405	\$ 8,650,022	\$ 19,210,427	\$ 15,391,966
LIABILITIES:				
Current Liabilities:				
Accounts payable	\$ 184,708	\$ 32,753	\$ 217,461	\$ 209,416
Checks written in excess of deposits	86,439	-	86,439	-
Current portion of bonds and interest payable	-	302,440	302,440	146,022
Accrued liabilities	88,828	59,748	148,576	50,296
Due to other governmental units	53,290	-	53,290	-
Due to other funds	713,642	369,322	1,082,964	-
Deferred revenues	1,268,752	377,009	1,645,761	-
Other liabilities	414,000	-	414,000	-
Total Current Liabilities	2,809,659	1,141,272	3,950,931	405,734
Non-Current liabilities:				
Bonds payable	-	4,825,000	4,825,000	-
Sick and vacation payable	172,636	-	172,636	115,397
Advances	-	-	-	4,603
Installment purchase agreement payable	-	-	-	85,205
Total Non-Current Liabilities	172,636	4,825,000	4,997,636	205,205
TOTAL LIABILITIES	2,982,295	5,966,272	8,948,567	610,939
NET ASSETS:				
Invested in capital assets, net of related debt	3,423,096	466,443	3,889,539	13,833,065
Net Assets:				
Restricted	4,262	-	4,262	947,962
Unreserved	4,150,752	2,217,307	6,368,059	-
TOTAL NET ASSETS	\$ 7,578,110	\$ 2,683,750	\$ 10,261,860	\$ 14,781,027

The accompanying notes are an integral part of these statements.

KALKASKA COUNTY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2007

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental activities:				
Legislative	\$ 184,720	\$ -	\$ -	\$ -
Judicial	1,200,173	615,621	510,509	-
General Government	2,011,907	478,265	148,415	-
Public Safety	3,847,224	871,911	534,634	2,493
Public Works	91,115	-	-	-
Health and Welfare	1,817,182	299,489	644,998	-
Recreation and culture	326,672	146,939	17,643	-
Other	532,047	1,880	-	-
Total governmental activities	10,011,040	2,414,105	1,856,199	2,493
Business-type activities:				
Tax payment	468,147	904,437	-	-
Sportsplex	973,288	270,486	-	-
Total business-type activities	1,441,435	1,174,923	-	-
Total primary government	<u>\$ 11,452,475</u>	<u>\$ 3,589,028</u>	<u>\$ 1,856,199</u>	<u>\$ 2,493</u>
Component Unit:				
Road Commission	<u>\$ 3,836,239</u>	<u>\$ 35,048</u>	<u>\$ 3,260,429</u>	<u>\$ 818,182</u>

General Revenues:

- Property Taxes
- State Shared Revenue
- Unrestricted investment earnings
- Rents
- Miscellaneous revenues
- Transfers

Total general revenues and transfers

Change in net assets

Net assets – beginning

Restatement to beginning Net Assets

Net assets – ending

The accompanying notes are an integral part of these statements.

Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	Kalkaska County Road Commission
\$ (184,720)	\$ -	\$ (184,720)	\$ -
(74,043)	-	(74,043)	-
(1,385,227)	-	(1,385,227)	-
(2,438,186)	-	(2,438,186)	-
(91,115)	-	(91,115)	-
(872,695)	-	(872,695)	-
(162,090)	-	(162,090)	-
(530,167)	-	(530,167)	-
(5,738,243)	-	(5,738,243)	-
-	436,290	436,290	-
-	(702,802)	(702,802)	-
-	(266,512)	(266,512)	-
<u>\$ (5,738,243)</u>	<u>\$ (266,512)</u>	<u>\$ (6,004,755)</u>	<u>\$ -</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 277,420</u>
\$ 4,507,325	\$ 542,824	\$ 5,050,149	\$ -
366,458		366,458	-
199,664	111	199,775	-
193,954		193,954	-
56,346	5,137	61,483	-
263,500	(263,500)	-	-
5,587,247	284,572	5,871,819	-
(150,996)	18,060	(132,936)	277,420
7,729,106	2,665,690	10,394,796	13,311,602
-	-	-	1,192,005
<u>\$ 7,578,110</u>	<u>\$ 2,683,750</u>	<u>\$ 10,261,860</u>	<u>\$ 14,781,027</u>

**KALKASKA COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2007**

	General	Housing Fund	Revenue Sharing Reserve Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash	\$ -	\$ 405	\$ 2,497,829	\$ 1,958,516	\$ 4,456,750
Receivables:					
Taxes	339,487	-	-	331,361	670,848
Accounts	37,167	933,110	6,478	57,151	1,033,906
Interest	6,280	-	-	124	6,404
Due from State	178,773	4,339	-	46,696	229,808
Due from other government units	23,479	-	-	18,707	42,186
Due from other funds	549,322	-	-	-	549,322
Prepaid expenses	110,638	-	-	37,447	148,085
	<u>\$ 1,245,146</u>	<u>\$ 937,854</u>	<u>\$ 2,504,307</u>	<u>\$ 2,450,002</u>	<u>\$ 7,137,309</u>
LIABILITIES & FUND EQUITY					
LIABILITIES:					
Accounts payable	\$ 124,051	\$ 2,842	\$ -	\$ 57,815	\$ 184,708
Checks written in excess of deposits	71,228	-	-	15,211	86,439
Accrued liabilities	73,963	-	-	14,865	88,828
Due to other funds	533,642	-	-	180,000	713,642
Due to other governmental units	20,290	-	-	33,000	53,290
Other liabilities	414,000	-	-	-	414,000
Deferred revenues	1,168	933,110	-	334,474	1,268,752
TOTAL LIABILITIES	<u>1,238,342</u>	<u>935,952</u>	<u>-</u>	<u>635,365</u>	<u>2,809,659</u>
FUND EQUITY:					
Fund balances:					
Reserved	-	-	-	4,262	4,262
Unreserved	6,804	1,902	2,504,307	1,810,375	4,323,388
TOTAL FUND EQUITY	<u>6,804</u>	<u>1,902</u>	<u>2,504,307</u>	<u>1,814,637</u>	<u>4,327,650</u>
	<u>\$ 1,245,146</u>	<u>\$ 937,854</u>	<u>\$ 2,504,307</u>	<u>\$ 2,450,002</u>	<u>\$ 7,137,309</u>

The accompanying notes are an integral part of these statements.

KALKASKA COUNTY
RECONCILIATION OF TOTAL GOVERNMENT FUND BALANCE
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2007

Amounts reported for governmental activities in the statement of net assets are different because:

Total Governmental Fund Balances	\$ 4,327,650
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:	
Capital assets	9,766,628
Accumulated depreciation	(6,343,532)
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:	
Compensated absences payable	<u>(172,636)</u>
Net Assets of Governmental Activities	<u>\$ 7,578,110</u>

The accompanying notes are an integral part of these statements.

KALKASKA COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007

	General	Housing Fund	Revenue Sharing Reserve Fund	Other Governmental Funds	Total Governmental Funds
REVENUES:					
Taxes	\$ 4,000,084	\$ -	\$ -	\$ 507,241	\$ 4,507,325
Licenses and permits	57,331	-	-	323,096	380,427
Federal grants	244,462	59,403	-	51,815	355,680
State grants	1,011,037	-	-	761,493	1,772,530
Other governmental revenue	-	-	-	101,588	101,588
Charges for services	891,390	-	-	696,977	1,588,367
Fines and forfeitures	7,997	-	-	156,807	164,804
Interest earned	99,059	145	77,225	47,253	223,682
Rents received	111,689	-	-	13,186	124,875
Other	97,415	59,149	-	220,702	377,266
TOTAL REVENUES	6,520,464	118,697	77,225	2,880,158	9,596,544
EXPENDITURES:					
Current:					
Legislative	184,720	-	-	-	184,720
Judicial	1,113,009	-	-	93,759	1,206,768
General government	1,742,265	-	-	81,494	1,823,759
Public safety	2,800,731	-	-	1,000,882	3,801,613
Public works	91,115	-	-	-	91,115
Health and welfare	388,688	131,830	-	1,349,915	1,870,433
Recreation & cultural	-	-	-	326,468	326,468
Other	238,691	-	296,578	-	535,269
TOTAL EXPENDITURES	6,559,219	131,830	296,578	2,852,518	9,840,145
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(38,755)	(13,133)	(219,353)	27,640	(243,601)

	General	Housing Fund	Revenue Sharing Reserve Fund	Other Governmental Funds	Total Governmental Funds
OTHER FINANCING SOURCES (USES):					
Operating transfers in	752,773	-	-	419,205	1,171,978
Operating transfers (out)	(743,205)	-	(20,000)	(145,273)	(908,478)
TOTAL OTHER FINANCING SOURCES (USES)	9,568	-	(20,000)	273,932	263,500
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(29,187)	(13,133)	(239,353)	301,572	19,899
FUND BALANCE, beginning	35,991	15,035	2,743,660	1,513,065	4,307,751
FUND BALANCE, ending	<u>\$ 6,804</u>	<u>\$ 1,902</u>	<u>\$ 2,504,307</u>	<u>\$ 1,814,637</u>	<u>\$ 4,327,650</u>

The accompanying notes are an integral part of these statements.

KALKASKA COUNTY
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2007

Amounts reported for governmental activities in the statement of net assets are different because:

Net change in fund balance – total governmental funds	\$ 19,899
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Capital outlay recorded as a capital expense	220,570
Depreciation recorded as an expense	(380,902)
In the Statement of Activities, certain vacation and sick time benefits are measured by amounts earned during the year. In the Governmental funds, however, expenditures for these items are measured by essentially the amounts actually paid. The current year adjustment included in the statement of activities is:	
	<u>(10,563)</u>
Change in net assets of governmental activities	<u>\$ (150,996)</u>

The accompanying notes are an integral part of these statements.

KALKASKA COUNTY
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2007

			Total (Memorandum Only)
	Tax Payment	Sportsplex	
ASSETS			
Cash	\$ 672,093	\$ 280,270	\$ 952,363
Receivables:			
Taxes	1,230,037	339,249	1,569,286
Accounts	-	8,476	8,476
Interest	10,349	-	10,349
Due from other funds	533,642	-	533,642
Inventories	-	2,009	2,009
Prepaid expenses	30,490	1,964	32,454
Buildings & improvements	-	6,610,552	6,610,552
Machinery & equipment	-	237,154	237,154
Accumulated depreciation	-	(1,306,263)	(1,306,263)
	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 2,476,611</u>	<u>\$ 6,173,411</u>	<u>\$ 8,650,022</u>
LIABILITIES & FUND EQUITY			
Liabilities:			
Accounts payable	\$ -	\$ 32,753	\$ 32,753
Accrued expenses	-	3,704	3,704
Accrued interest payable	-	56,044	56,044
Due to other funds	-	369,322	369,322
Bonds payable	52,440	5,075,000	5,127,440
Deferred revenue	-	377,009	377,009
	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES	<u>52,440</u>	<u>5,913,832</u>	<u>5,966,272</u>
Fund Equity:			
Investment in capital assets, net of related debt	-	466,443	466,443
Retained earnings:			
Unreserved	2,424,171	(206,864)	2,217,307
	<u> </u>	<u> </u>	<u> </u>
TOTAL FUND EQUITY	<u>2,424,171</u>	<u>259,579</u>	<u>2,683,750</u>
TOTAL LIABILITIES & FUND EQUITY	<u>\$ 2,476,611</u>	<u>\$ 6,173,411</u>	<u>\$ 8,650,022</u>

The accompanying notes are an integral part of these statements.

KALKASKA COUNTY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>Tax Payment</u>	<u>Sportsplex</u>	<u>Total (Memorandum Only)</u>
OPERATING REVENUES:			
Charges for services	\$ 92,283	\$ 270,486	\$ 362,769
Interest and penalties on taxes	<u>812,154</u>	<u>-</u>	<u>812,154</u>
 TOTAL OPERATING REVENUES	 <u>904,437</u>	 <u>270,486</u>	 <u>1,174,923</u>
OPERATING EXPENSES:			
Salary expense	-	201,323	201,323
Fringe benefit expense	-	57,734	57,734
Other	337,436	341,447	678,883
Depreciation	<u>-</u>	<u>145,161</u>	<u>145,161</u>
 TOTAL OPERATING EXPENSES	 <u>337,436</u>	 <u>745,665</u>	 <u>1,083,101</u>
 OPERATING INCOME (LOSS)	 <u>567,001</u>	 <u>(475,179)</u>	 <u>91,822</u>
NON-OPERATING REVENUES (EXPENSES):			
Taxes	68,434	474,390	542,824
Interest income	-	111	111
Interest expense	(130,711)	(227,623)	(358,334)
Other	<u>2,247</u>	<u>2,890</u>	<u>5,137</u>
 TOTAL NON-OPERATING REVENUES (EXPENSES)	 <u>(60,030)</u>	 <u>249,768</u>	 <u>189,738</u>
TRANSFERS			
Transfers from other funds	233,091	324,000	557,091
Transfers to other funds	<u>(820,591)</u>	<u>-</u>	<u>(820,591)</u>
 TOTAL TRANSFERS	 <u>(587,500)</u>	 <u>324,000</u>	 <u>(263,500)</u>
 NET INCOME (LOSS)	 (80,529)	 98,589	 18,060
 RETAINED EARNINGS, beginning	 <u>2,504,700</u>	 <u>160,990</u>	 <u>2,665,690</u>
 RETAINED EARNINGS, ending	 <u>\$ 2,424,171</u>	 <u>\$ 259,579</u>	 <u>\$ 2,683,750</u>

The accompanying notes are an integral part of these statements.

KALKASKA COUNTY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>Tax Payment</u>	<u>Sportsplex</u>	<u>Total (Memorandum Only)</u>
Cash Flow From Operating Activities:			
Cash received from customers	\$ (140,455)	\$ 274,396	\$ 133,941
Cash payments for goods and services	(367,197)	(334,080)	(701,277)
Cash received from penalties and interest on delinquent taxes	812,154	-	812,154
Cash payments to employees for services/fringe benefits	<u>-</u>	<u>(259,399)</u>	<u>(259,399)</u>
Net Cash Provided By (Used In) Operating Activities	<u>304,502</u>	<u>(319,083)</u>	<u>(14,581)</u>
Cash Flows From Non-capital Financing Activities:			
Local tax levy received	-	474,390	474,390
Payments received (paid) to other funds	22,500	(15,679)	6,821
Transfer in (out)	<u>(587,500)</u>	<u>324,000</u>	<u>(263,500)</u>
Net Cash Provided By Noncapital Financing Activities	<u>(565,000)</u>	<u>782,711</u>	<u>217,711</u>
Cash Flows From Capital And Related Financing Activities:			
Acquisition of capital assets	-	(7,129)	(7,129)
Proceeds from bonds	1,000,000	-	1,000,000
Principal paid on bonds	(947,560)	(200,000)	(1,147,560)
Interest paid on bonds	<u>(130,711)</u>	<u>(230,623)</u>	<u>(361,334)</u>
Net Cash Provided By (Used In) Capital and Related Financing Activities	<u>(78,271)</u>	<u>(437,752)</u>	<u>(516,023)</u>
Cash Flows From Investing Activities:			
Interest on investments	<u>74,453</u>	<u>3,001</u>	<u>77,454</u>
NET INCREASE IN CASH	(264,316)	28,877	(235,439)
CASH AND CASH EQUIVALENTS, beginning of year	<u>936,409</u>	<u>251,393</u>	<u>1,187,802</u>
CASH AND CASH EQUIVALENTS, ending of year	<u><u>\$ 672,093</u></u>	<u><u>\$ 280,270</u></u>	<u><u>\$ 952,363</u></u>

The accompanying notes are an integral part of these statements.

KALKASKA COUNTY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007
(Continued)

	<u>Tax Payment</u>	<u>Sportsplex</u>	<u>Total (Memorandum Only)</u>
Reconciliation Of Net Operating Income			
To Net Cash Provided By Operating			
Activities:			
Net operating income (loss)	<u>\$ 567,001</u>	<u>\$ (475,179)</u>	<u>\$ 91,822</u>
Adjustments To Reconcile Net Operating			
Income (Loss) To Net Cash Provided			
By Operating Activities:			
Depreciation	-	145,161	145,161
(Increase) decrease in:			
Receivables	(232,738)	(2,479)	(235,217)
Prepaid expenses	90	542	632
Increase (decrease) in:			
Accounts payable	-	6,825	6,825
Accrued liabilities	(29,851)	(342)	(30,193)
Deferred revenue	<u>-</u>	<u>6,389</u>	<u>6,389</u>
Total adjustments	<u>(262,499)</u>	<u>156,096</u>	<u>(106,403)</u>
Net Cash Provided By (Used In)			
Operating Activities	<u><u>\$ 304,502</u></u>	<u><u>\$ (319,083)</u></u>	<u><u>\$ (14,581)</u></u>

The accompanying notes are an integral part of these statements.

KALKASKA COUNTY
STATEMENT OF FIDUCIARY NET ASSETS
AGENCY FUNDS
DECEMBER 31, 2007

ASSETS

Cash	\$ 592,803
	<hr/>
TOTAL ASSETS	\$ 592,803
	<hr/> <hr/>

LIABILITIES

Due to other government units	\$ 78,020
Undistributed collections	379,667
Other liabilities	135,116
	<hr/>
TOTAL LIABILITIES	\$ 592,803
	<hr/> <hr/>

The accompanying notes are an integral part of these statements.

KALKASKA COUNTY
NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the County conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the County.

DESCRIPTION OF COUNTY OPERATIONS AND FUND TYPES

The County of was organized in 1871 and covers an area of approximately 576 square miles with the County seat located in Kalkaska, Michigan. The County operates under an elected Board of Commissioners of seven (7) members and provides services, assistance and care to its more than 16,500 residents, primarily from the operations of its General Fund and Special Revenue Funds. The County's services, assistance and care includes the (1) general county departments, boards and commissions; (2) court system administration; (3) law enforcement and corrections; (4) assistance and/or institutional care to the aged, needy, wards of the court and neglected children, public and mental health recipients; (5) libraries, and (6) recreation.

The financial statements of the County have been prepared in conformity with generally accepted accounting principles as applies to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the County's accounting policies are described below.

REPORTING ENTITY

The accompanying financial statements present the only the primary government of the County and entities for which the government is considered to be financially accountable. Discretely presented component units have not been included in the financial presentation.

The Governmental Accounting Standards Board (GASB) Statement No. 14 "The Financial Reporting Entity" and the State of Michigan Department of Treasury established criteria for governmental organizations to be considered to be part of the County for financial reporting purposes. The criteria included oversight responsibility, fiscal dependency and whether the statements would be misleading if data were not included.

The financial statements of certain governmental organizations are not included in the financial statements of the County: (1) Education services which are provided to citizens through the several local school districts that are separate governmental entities. The Transportation Authority is considered a separate reporting entity and therefore not included in this report.

DISCRETELY PRESENTED COMPONENT UNITS

The Kalkaska County Road Commission is considered a component unit of the County. It's financial statement is discretely presented in the County combined financial statements as required by accounting principles generally accepted in the United States of America revised under GASB 14. The road commission data is shown in the column entitled road commission and is discretely presented to emphasize that the road commission has its own board, elected by the voters of the County, and acts, under Michigan Statue as a separate board. Complete financial statements of the Road Commission Component Unit can be obtained directly from the Road Commission office at 1049 Island Lake Rd., Kalkaska, Michigan 49646.

KALKASKA COUNTY
NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

JOINTLY GOVERNED ORGANIZATIONS

The North Country Community Mental Health Authority consists of the counties of Otsego, Emmet, Charlevoix, Cheboygan, and Kalkaska. Financial records for this Authority are maintained by the mental health authority and are audited separately from any of the member counties. A copy of a financial statement and audit report would be available at the Authority office located at 1 MacDonald Drive, Suite A, Petoskey, Michigan 49770.

The funding formula for the Community Mental Health operations is in accordance with an agreement approved by all of the member counties and the local contribution was frozen, by statute, at the amount contributed in year 2002. For 2007 Kalkaska County's local match was \$61,875. Their financial statements are not required, under GASB No. 14, to be included in the Kalkaska County report.

The 46th Judicial Trial Court has responsibilities for Kalkaska, Crawford, and Otsego Counties. The funding formula is based upon the previous year's caseload. For the year ended December 31, 2007 the funding was as follows:

	<u>Circuit Division</u>	<u>Friend of the Court</u>
Crawford County	25.95%	28.43%
Kalkaska County	29.30%	25.90%
Otsego County	44.75%	45.67%

For the year ended December 31, 2007 each County is responsible for the court budget as it related to its own court expenses. The remaining expenses that are shared by Kalkaska, Crawford and Otsego Counties are incurred by and paid by Crawford County with the two other counties appropriating funds based on the funding formula.

Kalkaska County appropriated \$91,115 for the 46th Circuit Trial court in 2007.

Kalkaska County along with Crawford County have been named defendants in litigation involving a funding dispute with the 46th Judicial Trial Court. The dispute arose because the Trial Court wanted certain retirement benefits including pension and health insurance for the judges and their spouses along with the court employees and their spouses. Kalkaska and Crawford Counties do not agree with the amount of retirement benefits that the Trial court wants to be made available to their employees. Kalkaska County, along with Crawford County, is vigorously defending this lawsuit. The potential cost to Kalkaska County, should the courts prevail, is unknown as of this date, but the amount could be substantial to the taxpayers of the County. A liability for potential attorney fees has been recorded in the general fund based upon billings through December 31, 2007.

KALKASKA COUNTY
NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Indirect expenses are charged based upon a countywide cost allocation plan, which allocates costs based upon the number of full time equivalents, number of transactions, and other pertinent information. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from the goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major enterprise funds are reported as separate columns in the fund financial statements.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. After March 1 of the year for which they are levied, the Delinquent Tax Revolving Fund pays the County for any outstanding taxes as of that date. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Grant revenues are considered to be available when all eligibility requirements imposed by the provider have been met. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Property taxes, intergovernmental revenue, charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the County.

KALKASKA COUNTY
NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

The government reports the following major governmental funds:

GENERAL FUND This fund is the County's primary general operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

HOUSING FUND This fund provides housing assistance in the form of low or zero interest loans to low income citizens within the county to provide housing or housing repairs.

REVENUE SHARING RESERVE FUND This fund was established by the Michigan Treasury as a means to smooth funding for governmental units. The County has changed the manner of collecting tax, by shifting them forward. These collections are receipted to this fund as a measure to fund future fiscal periods.

The County reports the following major enterprise funds:

SPORTS COMPLEX FUND – This fund is operating an ice arena/swimming pool facility.

DELINQUENT PROPERTY TAX FUND – This fund is used to pay each local governmental unit, including the County General Fund, the respective amount of taxes not collected as of March 1 of each year. Financing is provided by subsequent collection of delinquent property taxes by the County Treasurer.

Additionally, the County reports the following fund types:

SPECIAL REVENUE FUNDS – These funds are used to account for specific revenues derived primarily from specific sources (other than major capital projects) and related expenditures which are restricted for specific purposes by administrative action or law.

CAPITAL PROJECTS FUNDS – The Capital Projects Funds are used to account for the acquisition or construction of major capital facilities other than those financed by enterprise funds or special assessments.

AGENCY FUNDS – are used to account for assets held on behalf of outside parties, including other governments.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The County has elected not to follow subsequent private-sector guidelines.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes

KALKASKA COUNTY
NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are interest and penalties on delinquent taxes and charges for services provided. The principal operating revenues of the County's internal service funds include the cost of services (including claims), administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY

BANK DEPOSITS AND INVESTMENTS – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are state at fair market value.

The County reports its investments in accordance with GASB Statements No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Under these standards, certain investments are valued at fair value as determined by quoted market prices, or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, such as certificates of deposit, and the county intends to hold the investment until maturity.

State statutes authorize the county to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, saving and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or Nation Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which mature not more than 270 days after the date of purchase. The county is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

RECEIVABLES AND PAYABLES – In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

CURRENT PROPERTY TAX LEVY – The County property tax is levied as of July 1 on the state equalized valuation of property located in the County as of the preceding December 31 and attach an enforceable lien on the property.

KALKASKA COUNTY
NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

The 2006 taxable value of Kalkaska County amounted to \$680,131,017 and the 2007 taxable value was \$720,438,329. The County levied 5.4562 mills for County operating purposes and .4988 mills for Commission on Aging operations, .25 mills for the library and .6985 mills for Debt Service operations. In addition, specific taxes are levied under the Industrial Facilities Tax Act and Commercial Forest Reserve Act.

TAXES RECEIVABLE – DELINQUENT – The taxes receivable of \$1,230,037 which are recorded in the Enterprise 100% Tax Payment Fund, consist of the unpaid delinquent real property taxes which were purchased from all of the taxing units in Kalkaska County by the County's 100% Tax Payment Fund.

INVENTORIES AND PREPAID ITEMS – Inventories consisting of supplies of \$2,009 and prepaid expenses of \$180,539, are recognized using the consumption method (inventories are recorded as expenditures when they are used). Inventories are recorded at cost which approximates market.

CAPITAL ASSETS – Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the activities column in the government-wide financial statements as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

GASB 34 requires major networks and major subsystems of infrastructure assets acquired, donated, constructed, or substantially rehabilitated since fiscal years ending after June 30, 1980 be inventoried and capitalized by the fourth anniversary of the mandated date of adoption of the other provisions of GASB 34. These infrastructure assets are the responsibility of the Kalkaska County Road Commission, and they have reported the infrastructure in their statement of net assets. The Road Commission has retroactively capitalized the major infrastructure assets as of December 31, 2007, as permitted by GASB 34.

PRIMARY GOVERNMENT – Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Buildings	40 to 60 years
Building Improvements	15 to 30 years
Water and Sewer Lines	50 to 75 years
Roads	10 to 30 years
Other Infrastructure	8 to 50 years
Vehicles	3 to 5 years
Office Equipment	5 to 7 years
Computer Equipment	3 to 7 years

KALKASKA COUNTY
NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

DISCRETE COMPONENT UNIT – Depreciation is computed on the sum-of-the-years'-digits method for road equipment and straight-line method for all other capital assets. The deprecation rates are designed to amortize the cost of the asset over their estimated useful lives as follows:

Buildings	30 to 50 years
Road Equipment	5 to 8 years
Shop Equipment	10 years
Engineering Equipment	4 to 10 years
Office Equipment	4 to 10 years
Infrastructure – Road	8 to 30 years
Infrastructure – Bridges	12 to 50 years

DEFERRED REVENUE – Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period or for resources that have been received, but not yet earned.

LONG-TERM OBLIGATIONS – In the government-wide financial statements and proprietary fund type statements, the long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. For new bond issuances after the implementation of GASB Statement No. 34, material bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt used is reported as other financing sources. Premiums received on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

ACCRUED VACATION AND SICK – In accordance with contracts negotiated with the various employee groups employees have a vested right upon termination to receive compensation for accumulated sick and vacation leave under formulas and conditions specified in the contracts.

ESTIMATES - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

FUND EQUITY – In the fund financial statements, governmental and business-type funds report reservations of fund balance for amounts that are not are legally restricted for use for a specific purpose.

KALKASKA COUNTY
NOTES TO FINANCIAL STATEMENTS

NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary information

Annual operating budgets are adopted by the County Commission for the General and Special Revenue Funds in accordance with Public Act 621 of 1978.

The County follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. During the month of July, budget worksheets, which list their last year's budget along with their expenditures for the last six months, are sent to each department. Each department prepares their budget and returns it to the County Controller. The Controller totals and puts all the budgets in order and then turns the budgets over to the Commissioners. Then, the respective committees, which are each made up of three Commissioners, meet with the various department heads to discuss any changes to their particular budget.
- b. Public hearings are conducted at the County Building to obtain taxpayer comments.
- c. Prior to December 31st, the budget is legally enacted on a departmental (activity) basis through passage of a resolution.
- d. Budget amendments are made by the County Commission as the need arises during the year.
- e. Formal budgetary integration is employed as a management control device during the year for all budgetary funds. Also, all budgets are adopted on a basis consistent with generally accepted accounting principles.
- f. Budget appropriations lapse at year end.
- g. The original budget was amended during the year in compliance with the County procedures and applicable state laws. The budget to actual expenditures in the financial statements represent the final budgetary expenditures as amended by the County Commission.

The budgets for some funds are administered and amended throughout the year as necessary by separate boards or authorities other than the County Commission.

KALKASKA COUNTY
NOTES TO FINANCIAL STATEMENTS

NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY – continued

B. Excess of expenditures over appropriations

P.A. 621 of 1978, Section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the County's actual expenditures and budget expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the County for these budgetary funds were adopted to the activity level.

During the year ended December 31, 2007, the County incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

Primary Government:

Fund	Total Appropriations	Amount of Expenditures	Budget Variance
General Fund:			
Judicial	\$ 1,100,460	\$ 1,113,009	\$ 12,549
Revenue Sharing Reserve Fund			
Operating transfer out	-	20,000	20,000

Discrete Component Unit:

Activity	Total Appropriations	Amount of Expenditures	Budget Variance
Primary Routine and Preventative			
Road Maintenance	\$ 1,129,081	\$ 1,242,779	\$ 113,698
Net Capital Outlay	(426,000)	(252,377)	173,623
Debt Service:			
Principal	180,000	189,714	9,714
Interest	11,054	17,234	6,180

KALKASKA COUNTY
NOTES TO FINANCIAL STATEMENTS

NOTE 3: CASH AND INVESTMENTS

The captions on the accompanying balance sheet related to cash and investments are as follows:

	Imprest Cash	Cash/Checking And Savings	Certificates of Deposit	Total
Primary Government				
Governmental Activities	\$ 16,770	\$ 3,300,426	\$ 1,139,554	\$ 4,456,750
Business-type Activities	1,540	23,634	927,189	952,363
Agency Funds	-	561,729	31,074	592,803
	<hr/>	<hr/>	<hr/>	<hr/>
Total Primary Government	\$ 18,310	\$ 3,885,789	\$ 2,097,817	\$ 6,001,916
	<hr/>	<hr/>	<hr/>	<hr/>
Discrete Component Unit:				
Road Commission	\$ 750	\$ 504,429	-	\$ 505,179
	<hr/>	<hr/>	<hr/>	<hr/>

Interest Rate Risk – The County will minimize interest rate risk by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity. Also, the County will invest operating funds primarily in shorter-term securities, money market funds, or similar investment pools and limiting the average maturity of the portfolio in accordance with its policy.

Credit Risk - State statutes authorize the county to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, saving and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or Nation Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which mature not more than 270 days after the date of purchase. The County is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

Concentration of Credit Risk – With the exception of US Treasury securities and authorized pools, no more than 25 percent of the total investment portfolio will be invested in a single security type or with a single financial institution.

Deposits

Primary Government - At year-end, the carrying amount of the County's deposits was \$6,001,916 and the bank balance of \$6,799,264 was classified as to risk as follows:

Insured	\$ 586,340
Uninsured – Uncollateralized	<hr/> 6,212,924
	<hr/>
Total	\$ 6,799,264
	<hr/>

Discrete Component Unit – The bank balance of the Road Commission's deposits is \$512,380, of which \$100,000 is covered by Federal Depository insurance.

KALKASKA COUNTY
NOTES TO FINANCIAL STATEMENTS

NOTE 4: RECEIVABLES/DEFERRED REVENUE

Receivables as of year-end for the government's individual major and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General	Housing Fund	Revenue Sharing Reserve Fund	Other Governmental Funds	Total
Taxes receivable	\$ 339,487	\$ -	\$ -	\$ 331,361	\$ 670,848
Accounts receivable	37,167	-	-	57,151	94,318
Housing Fund Mortgages	-	933,110	-	-	933,110
Interest	6,280	-	6,478	124	12,882
Intergovernmental	202,252	4,339	-	65,403	271,994
	<u>\$ 585,186</u>	<u>\$ 937,449</u>	<u>\$ 6,478</u>	<u>\$ 454,039</u>	<u>\$ 1,983,152</u>

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	Unavailable	Unearned	Total
Delinquent Property Taxes	\$ 335,642	\$ -	\$ 335,642
Housing Fund Mortgages	-	933,110	933,110
	<u>\$ 335,642</u>	<u>\$ 933,110</u>	<u>\$ 1,268,752</u>

KALKASKA COUNTY
NOTES TO FINANCIAL STATEMENTS

NOTE 5: CAPITAL ASSETS

A summary of the changes in the capital assets of the primary government follows:

Primary Government	Balance 01/01/07	Increases	Decreases/ Transfers	Balance 12/31/07
Governmental Activities:				
Capital assets, not being depreciated				
Land	\$ 281,327	\$ -	\$ -	\$ 281,327
Total capital assets not being depreciated	281,327	-	-	281,327
Capital assets, being depreciated				
Buildings	6,389,355	3,800	-	6,393,155
Land improvements	260,112	-	-	260,112
Machinery & equipment	2,678,070	216,770	62,806	2,832,034
Total capital assets being depreciated	9,327,537	220,570	62,806	9,485,301
Less accumulated depreciation for:				
Buildings	3,901,510	168,269	-	4,069,779
Land improvements	138,042	7,832	-	145,874
Machinery & equipment	1,985,884	204,801	62,806	2,127,879
Total accumulated depreciation	6,025,436	380,902	62,806	6,343,532
Total capital assets, being depreciated, net	3,302,101	(160,332)	-	3,141,769
Governmental activities capital assets, net	\$ 3,583,428	\$ (160,332)	\$ -	\$ 3,423,096

A summary of the changes in the capital assets of the business-type activities follows:

Sportsplex	Balance 01/01/07	Increases	Decreases	Balance 12/31/07
Business-type activities:				
Capital assets, being depreciated				
Buildings & improvements	\$ 6,609,692	\$ 860	\$ -	\$ 6,610,552
Furniture, fixtures & equipment	230,885	6,269	-	237,154
Total capital assets being depreciated	6,840,577	7,129	-	6,847,706
Less accumulated depreciation for:				
Buildings & improvements	967,181	135,326	-	1,102,507
Machinery & equipment	193,921	9,835	-	203,756
Total accumulated depreciation	1,161,102	145,161	-	1,306,263
Business-type activities capital assets, net	\$ 5,679,475	\$ (138,032)	\$ -	\$ 5,541,443

KALKASKA COUNTY
NOTES TO FINANCIAL STATEMENTS

NOTE 5: CAPITAL ASSETS - continued

Depreciation expense was charged to functions of the primary government as follows:

Governmental Activities:	
Judicial	\$ 33,239
General government	217,576
Public Safety	121,820
Recreation and culture	<u>8,267</u>
Total depreciation expense – governmental activities	<u>\$ 380,902</u>
Business-type activities:	
Sportsplex	<u>\$ 145,161</u>

A summary of the changes in the capital assets of the Road Commission follows:

Road Commission	Balance 01/01/07	Increases	Decreases/ Transfers	Balance 12/31/07
Capital assets, not being depreciated				
Land and Improvements	\$ 95,964	\$ -	\$ -	\$ 95,964
Infrastructure Land Improvements	<u>2,820,585</u>	<u>116,683</u>	<u>-</u>	<u>2,937,268</u>
Total capital assets not being depreciated	<u>2,916,549</u>	<u>116,683</u>	<u>-</u>	<u>3,033,232</u>
Capital assets, being depreciated				
Buildings and Improvements	582,153	-	-	582,153
Road Equipment	3,778,121	-	28,402	3,749,719
Shop Equipment	34,523	11,790	4,098	42,215
Office Equipment	75,451	-	17,146	58,305
Infrastructure – Bridges	1,122,539	-	-	1,122,539
Infrastructure – Roads	<u>16,580,429</u>	<u>716,764</u>	<u>606,985</u>	<u>16,690,208</u>
Total capital assets being depreciated	<u>22,173,216</u>	<u>728,554</u>	<u>656,631</u>	<u>22,245,139</u>
Less accumulated depreciation for:				
Land and Improvements	55,122	2,787	-	57,909
Buildings and Improvements	461,550	18,897	-	480,447
Road Equipment	3,212,126	240,496	28,402	3,424,220
Shop Equipment	34,523	1,081	4,098	31,506
Office Equipment	73,395	907	17,147	57,155
Infrastructure – Bridges	348,781	31,952	-	680,733
Infrastructure – Roads	<u>6,576,293</u>	<u>812,801</u>	<u>606,984</u>	<u>6,782,110</u>
Total accumulated depreciation	<u>10,761,790</u>	<u>1,108,921</u>	<u>656,631</u>	<u>11,214,080</u>
Total capital assets, being depreciated, net	<u>11,411,426</u>	<u>728,554</u>	<u>1,108,921</u>	<u>11,031,059</u>
Governmental activities capital assets, net	<u>\$ 14,327,975</u>	<u>\$ 845,237</u>	<u>\$ 1,108,921</u>	<u>\$ 14,064,291</u>

KALKASKA COUNTY
NOTES TO FINANCIAL STATEMENTS

NOTE 6: INTERFUND RECEIVABLES, PAYABLE AND TRANSFERS

Following is a description of the basic types of inter-fund transactions and the related accounting policy:

Transactions for services rendered or facilities provided; these transactions are recorded as revenue in the receiving fund and expenditures in the disbursing fund.

Transactions to transfer revenue or contributions from the fund budgeted to receive them to the fund budgeted to expend them; these transactions are recorded as transfers in and transfers out.

Interfund transactions are not eliminated for financial presentation purposes.

The amounts of inter-fund receivables and payables, and long-term advances are as follows:

Fund	Inter-fund/ Advances Receivable	Fund	Inter-fund Advances Payable
General Fund	\$ 549,322	Sportsplex	\$ 369,322
Tax Payment Fund	533,642	County Building Fund	180,000
	-	General Fund	533,642
	<u>\$ 1,082,964</u>		<u>\$ 1,082,964</u>

Interfund transfers:

	Operating Transfer In	Operating Transfer Out	Total
General fund	\$ 752,773	\$ 743,205	\$ 9,568
Other governmental funds	419,205	165,273	253,932
Tax payment fund	233,091	820,591	(587,500)
Sportsplex	324,000	-	324,000
	<u>\$ 1,729,069</u>	<u>\$ 1,729,069</u>	<u>\$ -</u>

KALKASKA COUNTY
NOTES TO FINANCIAL STATEMENTS

NOTE 7: LONG-TERM DEBT

Governmental activities – Following is a summary of information concerning the County’s long-term debt:

Outstanding debt description and change in long-term debt:

	Beginning Balance	Additions	Reductions	Ending Balance
Termination benefits	\$ 162,073	\$ 10,563	\$ -	\$ 172,636

Business-type activities - Following is a summary of information concerning the County’s long-term debt:

General obligation debts and other long-term obligations currently outstanding are as follows:

100% Tax Collection fund general obligation notes are issued by the County to purchase delinquent taxes and special assessments excepts taxes on personal property, due and payable to the taxing units in the County.

\$1,000,000 Series 2007, General Obligation Limited Tax Notes, due June 1, 2008 \$ 52,440

Sports Complex Bonds were issued by the County to provide for acquiring, constructing, furnishing and equipping a new recreational facility/sports complex.

\$6,000,000 1999 General Obligation Unlimited Tax Bonds, due in annual
Installments of \$100,000 to \$500,000 through November 2, 2020; interest at 4.05%
To 6.00%, secured by the full faith and credit of the County. \$ 5,075,000

The annual requirements to amortize long-term obligations outstanding as of December 31, 2007 including interest of \$1,662,338 are as follows:

	Principal amount	Interest Amount	Total
Year ending June 30:			
2008	\$ 250,000	\$ 219,113	\$ 469,113
2009	275,000	208,413	483,413
2010	300,000	196,550	496,550
2011	300,000	184,026	484,026
2012	400,000	169,125	569,125
2013 – 2017	2,050,000	580,986	2,630,986
2018 – 2020	1,500,000	104,125	1,604,125
	<u>\$ 5,075,000</u>	<u>\$ 1,662,338</u>	<u>\$ 6,737,338</u>

KALKASKA COUNTY
NOTES TO FINANCIAL STATEMENTS

NOTE 7: LONG-TERM DEBT - continued

The following is a summary of the changes in liabilities reported in the long-term debt of the business-type activities:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One year
Business-type Activities:					
Bonds payable:					
Tax Payment Fund	\$ -	\$ 1,000,000	\$ 947,560	\$ 52,440	\$ 52,440
Sportsplex	5,275,000	-	200,000	5,075,000	\$ 250,000
Total bonds payable	<u>\$ 5,275,000</u>	<u>\$ 1,000,000</u>	<u>\$ 1,147,560</u>	<u>\$ 5,127,440</u>	<u>\$ 302,440</u>

Discrete Component Unit: – Following is a summary of information concerning the Road Commission's changes in long-term debt:

	Beginning Balance	Additions (Reductions)	Ending Balance	Due within One year
Installment purchase agreement for a four wheel drive loader paid in quarterly installments of \$7,711 at a rate of 3.9%	\$ 44,679	\$ (29,828)	\$ 15,151	\$ 15,151
Installment purchase agreement for five trucks paid in monthly installments of \$12,295 at a rate of 3.0%	366,113	(150,037)	216,076	130,871
Installment purchase agreement for a Broce Broom paid in monthly installments of \$1,186 at a rate of 10%	10,148	(10,148)	-	-
Vested employee benefits – Sick leave benefits	155,650	(40,253)	115,397	-
	<u>\$ 576,590</u>	<u>\$ (229,966)</u>	<u>\$ 346,624</u>	<u>\$ 146,022</u>

The annual requirements to amortize long-term obligations outstanding as of December 31, 2007 including interest of \$6,050 are as follows:

	Principal amount	Interest Amount	Total
Year ending June 30:			
2008	\$ 146,022	\$ 5,188	\$ 151,210
2009	85,205	862	86,067
	<u>\$ 231,227</u>	<u>\$ 6,050</u>	<u>\$ 237,277</u>

KALKASKA COUNTY
NOTES TO FINANCIAL STATEMENTS

NOTE 8: PENSION PLANS

PRIMARY GOVERNMENT

Plan Description – Kalkaska County participates in a defined benefit retirement plan administered by the Municipal Employee's Retirement System (MERS). The plan covers substantially all full-time employees.

The Municipal Employees Retirement System of Michigan (MERS) is a multiple-employer statewide public employee retirement plan created by the State of Michigan to provide retirement, survivor and disability benefits, on a voluntary basis to the State's local government employees in the most efficient and effective manner possible. As such, MERS is a non-profit entity that has the responsibility of administering the law in accordance with the expressed intent of the Legislature and bears a fiduciary obligation to the State of Michigan, the taxpayers and the public employees who are its beneficiaries.

The passage of HB-5525/Act No. 220, with enactment on May 28, 1996, allowed the members of MERS to vote on and determine if MERS should become an independent public corporation. The vote resulted in approval to become independent of State control and MERS began to operate as an independent public corporation effective August 15, 1996. MERS issues a financial report, available to the public, that includes financial statements and required supplementary information for the system. A copy of the report may be obtained by writing to MERS at 447 N. Canal Road, Lansing, Michigan 48917.

All full time County employees are eligible to participate in the system. Benefits vest after ten years of service. General County employees who retire at or after age 55 with 25 years credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 2.25% percent of the member's 5-year final average compensation. The Sheriff Department participating employees and dispatchers who retire with 25 years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 2.5% of the member's 5-year final average compensation or three year average in the case of command office members. The system also provides death and disability benefits which are established by State Statute.

Participating General County employees are required to contribute 1.0 percent of their annual salary to the system. The county is required to contribute the remaining amounts necessary to fund the Michigan Municipal Employees retirement System using the actuarial basis specified by statute.

Actuarial Accrued Liability – The actuarial accrued liability was determined as part of an actuarial valuation of the plan as of December 31, 2007. Significant actuarial assumptions used in determining the investment of present and future assets of 8.0%, (a) inflation, and (b) additional projected salary increases of 0.0% to 4.5% per year, depending on age, attributable to seniority/merit and (c) the assumption that benefits will increase 2.5% annually after retirement.

All entries are based on the actuarial methods and assumption that were used in the December 31, 2007 actuarial valuation to determine the annual employer contribution amounts. The entry age normal actuarial method was used to determine the entries at disclosure.

KALKASKA COUNTY
NOTES TO FINANCIAL STATEMENTS

NOTE 8: PENSION PLANS - continued

GASB 25 INFORMATION (as of 12/31/07)

Actuarial Accrued Liability:	
Retirees and beneficiaries currently receiving benefits	\$ 4,015,960
Terminated employees not yet receiving benefits	698,553
Non-vested terminated employees	24,363
Current employee:	
Accumulated employee contributions including allocated investment income	358,664
Employer financed	<u>5,867,220</u>
 Total actuarial accrued liability	 10,964,760
 Net Assets Available for Benefits, at actuarial value (Market Value is \$9,962,980)	 <u>9,825,531</u>
 Unfunded (over funded) actuarial accrued liability	 <u><u>\$ 1,139,229</u></u>

GASB 27 INFORMATION (as of 12/31/06)

Fiscal year beginning	January 1, 2008
Annual required contribution (ARC)	\$ 356,652
Amortization factor used (under funded liabilities)	0.054719
Amortization factor used (over funded liabilities)	0.119963

KALKASKA COUNTY
NOTES TO FINANCIAL STATEMENTS

NOTE 8: PENSION PLANS - continued

Contributions Required and Contributions Made

MERS funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. The normal cost and amortization payment for the fiscal year ended December 31, 2007 were determined using the entry age normal actuarial funding method. Unfunded actuarial accrued liabilities, if any, were amortized as a level percent of payroll over a period of 30 years. The following table provides a schedule of contribution amounts and percentages for recent years.

Aggregate Accrued Liabilities – Comparative Schedule of Funding Progress

	Fiscal year ended December 31:		
	2006	2005	2004
Annual Pension cost	\$ 381,353	\$ 308,777	\$ 342,092
Actuarial value of assets	9,825,531	9,003,112	8,404,345
Actuarial accrued liability	10,964,760	10,276,120	9,457,993
(Unfunded) / Overfunded AAL	(1,139,229)	(1,273,008)	(1,053,648)
Percent of funded AAL	89.6%	87.6%	88.9%
Covered payroll	2,927,848	2,845,500	3,042,302
UAAL as a % of covered payroll	38.9%	44.7%	34.6%

For actuarial valuation purposes, the actuarial value of assets is determined on the basis of a calculation method that assumes the fund earns the expected rate of return (8%), and includes an adjustment to reflect market value.

Actuarial assumptions for MERS valuations were revised for the 1993, 1997 and 2000 valuations. The funding method was changed to entry age normal for the 1993 valuation.

The actuarial report for December 31, 2007 was not available for inclusion in this report.

COUNTY ROAD COMMISSION

A. Plan Description

The Road Commission's defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The Road Commission participates in the Municipal Employees Retirement System of Michigan (MERS), an agent multiple-employer plan administered by the MERS Retirement Board, Act No. 427 of the Public Acts of 1984, as amended, establishes and amends the benefit provisions of the participants in MERS. The Municipal Employees Retirement System of Michigan issues a publicly available financial report that includes financial statements and required supplementary information for MERS. That report may be obtained by writing the Municipal Employees Retirement System of Michigan, 447 N. Canal Road, Lansing, Michigan 48917 or by calling (800) 767-6377.

KALKASKA COUNTY
NOTES TO FINANCIAL STATEMENTS

NOTE 8: PENSION PLANS - continued

B. Funding Policy

The Road Commission is required to contribute at an actuarially determined rate; the current rate is 27.31% of the annual payroll for the union , and 21.98% for administration payroll based on the 2004 actuarial valuation beginning on January 1, 2006. Employees are currently not required to contribute to the plan. The contribution requirements of the Road Commission are established and may be amended by the Retirement Board of MERS. The contribution requirements of plan members, if any, are established and may be amended by the Road Commission depending on the MERS contribution program adopted by the Road Commission.

C. Annual Pension Cost

For the year ended December 31, 2007, the Road Commission's annual pension cost of \$297,152 for MERS was equal to the Road Commission's required contributions. The Road Commission's actual contribution for 2007 was \$297,152. The required contribution was determined as part of the December 31, 2004 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) a rate of return on the investment of present and future assets of 8.0%, (b) projected salary increases of 5.0% a year compounded annually, attributable to inflation, (c) additional projected salary increases of 5.0% per year, depending on age, attributable to seniority/merit.

D. Three-year Trend Information

	Fiscal year ended December 31:		
	2006	2005	2004
Annual Pension cost	\$ 297,152	\$ 286,183	\$ 270,138
Actuarial value of assets	4,805,545	4,647,905	4,582,660
Actuarial accrued liability	8,176,987	7,953,624	7,675,837
(Unfunded) / Overfunded AAL	(3,371,442)	(3,305,719)	(3,093,177)
Percent of funded AAL	59%	58%	60%
Covered payroll	1,123,414	1,045,685	1,125,839
UAAL as a % of covered payroll	300%	316%	275%

KALKASKA COUNTY
NOTES TO FINANCIAL STATEMENTS

NOTE 9: POST EMPLOYMENT HEALTH CARE BENEFITS

PRIMARY GOVERNMENT – In addition to pension benefits described in Note 8 the County employment agreement provides for certain post employment health care coverage. To be eligible an employee must have had 15 years of continuous service prior to retirement and the coverage is effective only from age 60 to 65. At age 65 supplemental coverage is provided at the employee cost. The employee only is covered and the premium is payable at the then current rate for coverage in force for the County at that time. The County will pay each retiree a maximum of \$500 per month.

The County agreement provides that with 25 years continuous service medical coverage in effect at their retirement will be continued. There will be no employee co-pay for this coverage. This coverage will remain in effect until the employee is eligible for Medicare at which time group coverage is available for the Medicare supplement paid for totally by the employee. The County will pay each retiree a maximum of \$500 per month. Eight employees were eligible for this coverage during 2007 and costs were approximately \$37,080.

DISCRETE COMPONENT UNIT – In addition to pension benefits described in Note 8 the Road Commission provides post-employment health care benefits to union employees who retire from the Road Commission. There were several retirement windows open to employees during the last several years. In fiscal year 2006, there was a retirement window that gave employees the opportunity to retire that obtained age 55 with 20 or more years of service. During fiscal year 2007, there was a window from July 1 to July 31, 2007 that allowed union employees to retire after reaching a combined age and years of service of 75, regardless of age. All other employees may retire on or after attaining age 60 with 20 years or more of service, or those who retire under a valid disability claim regardless of age. The health care benefits consist of the Road Commission paying the monthly health insurance for union and nonunion employees until death (or until the retiree is covered under a health insurance policy from another employer) and for a period of three years after retirement (when retiree is 62-65) for spouses. The costs of the retiree's health care benefits are recognized as expenditures as claims are paid. During 2007, 18 retirees were eligible for benefits, and \$141,135 was recognized for post-employment health insurance.

NOTE 10: RISK MANAGEMENT

PRIMARY GOVERNMENT - The County is exposed to risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The government manages its risk exposures and provides certain employee benefits through a combination of self-insurance programs, risk management pools and commercial insurance and excess coverage policies. Following is a summary of these self-insurance programs and risk management pool participation.

The county participates in the Michigan Municipal Risk Management Authority (MMRMA) for general and automobile liability, motor vehicle physical damage and property damage coverage. The MMRMA was established in January 1980, pursuant to laws of the State of Michigan that authorize local units of government to jointly exercise any power, privilege or authority which each might exercise separately. The purpose of the authority is to provide cooperative and comprehensive risk financing and risk control services. The MMRMA provides risk management, underwriting, reinsurance, and claim review and processing services for all member governments pursuant to its charter.

KALKASKA COUNTY
NOTES TO FINANCIAL STATEMENTS

NOTE 10: RISK MANAGEMENT - continued

The government makes annual contributions to MMRMA based on actuarial studies using historical data and insurance industry statistics. These contributions are paid from the general fund (i.e., the Insurance Fund) using premiums paid into it by other funds of the government. Such contributions as received by MMRMA are allocated between its general and member retention funds. Economic resources in the MMRMA's general fund are expended for reinsurance coverage, claim payments and certain general and administrative costs. The County is a State pool member and has deductibles that differ for each type of coverage.

Employee Benefits-Commercial Insurance Provider-Workers' Compensation

The County has insurance coverage for workers' compensation provided by an independent insurance company licensed in the State of Michigan.

At December 31, 2007, there were no claims that exceeded insurance coverage. The county had no significant reduction in insurance coverage from previous years.

Road Commission

The Road Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2007, the Road Commission participated in the Michigan County Road Commission Self Insurance Pool (MCRCSIP), a public entity risk pool currently operating as a common risk management program for road commissions in the State of Michigan. The Road Commission pays an annual premium to SIP for its general insurance coverage. The SIP is self-sustaining through member premiums.

During 2007 the Road Commission also participated in the County Road Association Self Insurance Fund (MCRCSIF) for its workers' compensation benefits. The SIF is also a common risk management program for road commissions in the State of Michigan and is self-sustaining through premiums.

In the event of unusually high claims, both the SIP and the SIF have the authority to bill the member road commissions retroactively. The Road Commission continues to carry commercial insurance for other risks of loss, including employee health and accident and life insurance.

At December 31, 2007, there were no claims that exceeded insurance coverage. The Road Commission did not have any significant reduction in insurance coverage from previous years. Settled claims for the Road Commission have not exceeded the amount of insurance coverage in any of the past 3 years.

KALKASKA COUNTY
NOTES TO FINANCIAL STATEMENTS

NOTE 11: LITIGATION

In the normal course of its activities, the County is a party to various legal actions and subject to certain asserted claims and assessments. Although actions have been brought, the County has not experienced any additional significant losses or costs. It is the County's opinion that the outcome of any ending actions will not have a material effect on the County's financial position or results of operations.

The County is involved in litigation involving a funding dispute with the 46th Judicial Trial court. The Court wanted certain benefits for their employees and both Kalkaska County and Crawford County disputed the level of benefits the court implemented. This action has created a liability for the County in attorney fees which is being disputed by the County and is currently in litigation.

REQUIRED SUPPLEMENTARY INFORMATION

**KALKASKA COUNTY
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
- BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2007**

	Original Budget	Final Budget	Actual	Variance with Final Budget - Favorable (Unfavorable)
REVENUES:				
Taxes	\$ 3,919,070	\$ 3,997,070	\$ 4,000,084	\$ 3,014
Licenses and permits	44,835	52,235	57,331	5,096
Federal grants	239,766	239,766	244,462	4,696
State grants	917,734	1,012,774	1,011,037	(1,737)
Charges for services	957,194	981,119	891,390	(89,729)
Fines and forfeits	3,000	3,000	7,997	4,997
Interest earned	71,675	101,675	99,059	(2,616)
Rents	111,988	111,988	111,689	(299)
Other	96,600	96,600	97,415	815
TOTAL REVENUES	6,361,862	6,596,227	6,520,464	(75,763)
EXPENDITURES:				
Current:				
Legislative	120,225	186,525	184,720	1,805
Judicial	1,158,155	1,100,460	1,113,009	(12,549)
General government	1,702,439	1,756,025	1,742,265	13,760
Public safety	2,665,175	2,817,538	2,800,731	16,807
Public works	82,119	92,819	91,115	1,704
Health and welfare	318,845	391,345	388,688	2,657
Other	303,907	241,853	238,691	3,162
TOTAL EXPENDITURES	6,350,865	6,586,565	6,559,219	27,346
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	10,997	9,662	(38,755)	(48,417)
OTHER FINANCING SOURCES (USES):				
Operating transfers in	578,773	753,773	752,773	(1,000)
Operating transfers (out)	(589,770)	(763,435)	(743,205)	20,230
TOTAL OTHER FINANCING SOURCES (USES)	(10,997)	(9,662)	9,568	19,230
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	\$ -	\$ -	(29,187)	\$ (29,187)
FUND BALANCE, beginning			35,991	
FUND BALANCE, ending			\$ 6,804	

**KALKASKA COUNTY
HOUSING FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
- BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2007**

	Original Budget	Final Budget	Actual	Variance with Final Budget - Favorable (Unfavorable)
REVENUES:				
Federal grants	\$ 240,750	\$ 240,750	\$ 59,403	\$ (181,347)
Interest and rents	390	390	145	(245)
Other	35,000	35,000	59,149	(24,149)
 TOTAL REVENUES	 276,140	 276,140	 118,697	 (157,443)
EXPENDITURES:				
Current:				
Health and welfare	256,750	256,750	131,830	124,920
 TOTAL EXPENDITURES	 256,750	 256,750	 131,830	 124,920
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ 19,390</u>	<u>\$ 19,390</u>	(13,133)	<u>\$ (32,523)</u>
FUND BALANCE, beginning			<u>15,035</u>	
FUND BALANCE, ending			<u>\$ 1,902</u>	

KALKASKA COUNTY
REVENUE SHARING RESERVE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
- BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2007

	Original Budget	Final Budget	Actual	Variance with Final Budget - Favorable (Unfavorable)
REVENUES:				
Taxes	\$ 1,122,500	\$ 1,123,500	\$ -	\$ (1,123,500)
Interest	30,000	86,500	77,225	(9,275)
 TOTAL REVENUES	 1,152,500	 1,210,000	 77,225	 (1,132,775)
EXPENDITURES:				
Current:				
Other	315,500	317,500	296,578	20,922
 TOTAL EXPENDITURES	 315,500	 317,500	 296,578	 20,922
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	837,000	892,500	(219,353)	(1,111,853)
OTHER FINANCING SOURCES (USES):				
Operating transfers (out)	-	-	(20,000)	(20,000)
 TOTAL OTHER FINANCING SOURCES (USES)	 -	 -	 (20,000)	 (20,000)
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	\$ 837,000	\$ 892,500	(239,353)	\$ (1,131,853)
FUND BALANCE, beginning			2,743,660	
FUND BALANCE, ending			\$ 2,504,307	

SUPPLEMENTARY DATA SECTION

**KALKASKA COUNTY
COMBINING BALANCE SHEETS
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2007**

Special Revenue Funds

	Bullet Proof Vest Fund	911 Equipment Fund	Parks and Recreation	Log Lake Park	Police Corps	Child Passenger Safety	Friend Of the Court	Animal Control Donation	Extension Strong Family Safe Child
ASSETS									
Cash	\$ 5,599	\$ 50,819	\$ 2,153	\$ 6,693	\$ 2,585	\$ 3,448	\$ 4,175	\$ 38,833	\$ -
Accounts receivable	-	-	633	-	-	-	224	-	14,672
Due from other funds	-	-	-	-	-	-	-	-	-
Due from State	-	-	-	-	-	-	-	-	-
Due from other governmental units	-	-	-	-	-	-	-	-	-
Prepaid expenses	-	-	-	-	-	-	2,943	-	-
TOTAL ASSETS	<u>\$ 5,599</u>	<u>\$ 50,819</u>	<u>\$ 2,786</u>	<u>\$ 6,693</u>	<u>\$ 2,585</u>	<u>\$ 3,448</u>	<u>\$ 7,342</u>	<u>\$ 38,833</u>	<u>\$ 14,672</u>
LIABILITIES & FUND BALANCE									
Liabilities:									
Accounts payable	\$ -	\$ -	\$ 313	\$ 629	\$ -	\$ -	\$ 3,689	\$ -	\$ 5,688
Checks written in excess of deposits	-	-	-	-	-	-	-	-	8,984
Accrued expenses	-	-	-	-	-	-	438	-	-
Due to other governmental units	-	-	-	-	-	-	-	-	-
Deferred revenue	-	-	-	60	-	-	-	-	-
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>313</u>	<u>689</u>	<u>-</u>	<u>-</u>	<u>4,127</u>	<u>-</u>	<u>14,672</u>
Fund Balance:									
Reserved	-	-	-	-	-	-	-	-	-
Unreserved	<u>5,599</u>	<u>50,819</u>	<u>2,473</u>	<u>6,004</u>	<u>2,585</u>	<u>3,448</u>	<u>3,215</u>	<u>38,833</u>	<u>-</u>
TOTAL FUND BALANCE	<u>5,599</u>	<u>50,819</u>	<u>2,473</u>	<u>6,004</u>	<u>2,585</u>	<u>3,448</u>	<u>3,215</u>	<u>38,833</u>	<u>-</u>
TOTAL LIABILITIES & FUND BALANCE	<u>\$ 5,599</u>	<u>\$ 50,819</u>	<u>\$ 2,786</u>	<u>\$ 6,693</u>	<u>\$ 2,585</u>	<u>\$ 3,448</u>	<u>\$ 7,342</u>	<u>\$ 38,833</u>	<u>\$ 14,672</u>

**KALKASKA COUNTY
COMBINING BALANCE SHEETS
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2007**

Special Revenue Funds									
	State Domestic Preparedness	Central Purchasing	Elections	Vehicle Replacement Fund	Computer Fund	Courthouse Preservation	County Equipment	Sheriff Equipment Fund	Building Inspection Fund
<u>ASSETS</u>									
Cash	\$ 2,942	\$ 5,322	\$ 17,395	\$ 47,923	\$ 66,474	\$ 31,260	\$ 64,630	\$ 205	\$ 119,741
Accounts receivable	-	-	-	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-	-	-	-
Due from State	-	-	-	-	-	-	-	-	-
Due from other governmental units	-	-	-	-	-	-	-	-	-
Prepaid expenses	-	4,262	-	-	-	-	-	-	4,436
TOTAL ASSETS	<u>\$ 2,942</u>	<u>\$ 9,584</u>	<u>\$ 17,395</u>	<u>\$ 47,923</u>	<u>\$ 66,474</u>	<u>\$ 31,260</u>	<u>\$ 64,630</u>	<u>\$ 205</u>	<u>\$ 124,177</u>
<u>LIABILITIES & FUND BALANCE</u>									
Liabilities:									
Accounts payable	\$ -	\$ 1,116	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,791
Checks written in excess of deposits	-	-	-	-	-	-	-	-	-
Accrued expenses	-	-	-	-	-	-	-	-	4,526
Due to other governmental units	-	-	-	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-	-	-	-
TOTAL LIABILITIES	<u>-</u>	<u>1,116</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,317</u>
Fund Balance:									
Reserved	-	4,262	-	-	-	-	-	-	-
Unreserved	<u>2,942</u>	<u>4,206</u>	<u>17,395</u>	<u>47,923</u>	<u>66,474</u>	<u>31,260</u>	<u>64,630</u>	<u>205</u>	<u>117,860</u>
TOTAL FUND BALANCE	<u>2,942</u>	<u>8,468</u>	<u>17,395</u>	<u>47,923</u>	<u>66,474</u>	<u>31,260</u>	<u>64,630</u>	<u>205</u>	<u>117,860</u>
TOTAL LIABILITIES & FUND BALANCE	<u>\$ 2,942</u>	<u>\$ 9,584</u>	<u>\$ 17,395</u>	<u>\$ 47,923</u>	<u>\$ 66,474</u>	<u>\$ 31,260</u>	<u>\$ 64,630</u>	<u>\$ 205</u>	<u>\$ 124,177</u>

**KALKASKA COUNTY
COMBINING BALANCE SHEETS
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2007**

Special Revenue Funds

	Office Furniture	Zoning Training	Copier Replacement/ Repair	Building Improvement	911 Central Dispatch	Tower Repair	Rod Equipment/ Technology	Budget Stabilization	Equipment - Heating & Cooling
<u>ASSETS</u>									
Cash	\$ 64,452	\$ -	\$ 25,320	\$ 100,286	\$ 13,325	\$ 3,178	\$ 7,535	\$ 351,088	\$ 46,502
Accounts receivable	-	-	-	-	33,745	-	75	-	-
Due from other funds	-	-	-	-	-	-	-	-	-
Due from State	-	-	-	-	25,150	-	-	-	-
Due from other governmental units	-	-	-	-	-	-	-	-	-
Prepaid expenses	-	-	-	-	6,942	-	7,589	-	-
TOTAL ASSETS	\$ 64,452	\$ -	\$ 25,320	\$ 100,286	\$ 79,162	\$ 3,178	\$ 15,199	\$ 351,088	\$ 46,502
<u>LIABILITIES & FUND BALANCE</u>									
Liabilities:									
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 5,471	\$ -	\$ 357	\$ -	\$ -
Checks written on excess of deposits	-	-	-	-	-	-	-	-	-
Accrued expenses	-	-	-	-	6,389	-	-	-	-
Due to other governmental units	-	-	-	-	-	-	-	-	-
Deferred revenue	-	-	-	847	-	-	-	-	-
TOTAL LIABILITIES	-	-	-	847	11,860	-	357	-	-
Fund Balance:									
Reserved	-	-	-	-	-	-	-	-	-
Unreserved	64,452	-	25,320	99,439	67,302	3,178	14,842	351,088	46,502
TOTAL FUND BALANCE	64,452	-	25,320	99,439	67,302	3,178	14,842	351,088	46,502
TOTAL LIABILITIES & FUND BALANCE	\$ 64,452	\$ -	\$ 25,320	\$ 100,286	\$ 79,162	\$ 3,178	\$ 15,199	\$ 351,088	\$ 46,502

**KALKASKA COUNTY
COMBINING BALANCE SHEETS
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2007**

Special Revenue Funds

	Retiree Retirement	Sheriff's Computer Fund	Family Nutrition	Recycling Fund	Corrections Officers Training Fund	Community Corrections Plan	Voice Verification	Animal Control	Law Library
<u>ASSETS</u>									
Cash	\$ 182,560	\$ 2,493	\$ 126	\$ 11,988	\$ 9,910	\$ 5,160	\$ 28,911	\$ 4,262	\$ 8,756
Accounts receivable	-	-	1,332	2,708	20	-	-	-	-
Due from other funds	-	-	-	-	-	-	-	-	-
Due from State	-	-	-	-	-	-	-	-	-
Due from other governmental units	-	-	-	-	-	14,062	-	-	-
Prepaid expenses	2,884	-	154	551	-	-	-	1,470	-
TOTAL ASSETS	\$ 185,444	\$ 2,493	\$ 1,612	\$ 15,247	\$ 9,930	\$ 19,222	\$ 28,911	\$ 5,732	\$ 8,756
<u>LIABILITIES & FUND BALANCE</u>									
Liabilities:									
Accounts payable	\$ -	\$ -	\$ 22	\$ 663	\$ -	\$ -	\$ 56	\$ 2,317	\$ 243
Checks written in excess of deposits	-	-	-	-	-	-	-	1,327	-
Accrued expenses	-	-	80	685	-	-	-	-	-
Due to other governmental units	-	-	-	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-	-	-	-
TOTAL LIABILITIES	-	-	102	1,348	-	-	56	3,644	243
Fund Balance:									
Reserved	-	-	-	-	-	-	-	-	-
Unreserved	185,444	2,493	1,510	13,899	9,930	19,222	28,855	2,088	8,513
TOTAL FUND BALANCE	185,444	2,493	1,510	13,899	9,930	19,222	28,855	2,088	8,513
TOTAL LIABILITIES & FUND BALANCE	\$ 185,444	\$ 2,493	\$ 1,612	\$ 15,247	\$ 9,930	\$ 19,222	\$ 28,911	\$ 5,732	\$ 8,756

**KALKASKA COUNTY
COMBINING BALANCE SHEETS
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2007**

Special Revenue Funds									
	County Library	Inmate Programs & Services	PBT Fund	Court Technology	RX Fund	Police Hiring Supplement	Family Independence Agency/FIA - Antrim	Child Care Fund	Veterans Relief
<u>ASSETS</u>									
Cash	\$ 222,554	\$ 25,034	\$ 34,578	\$ 760	\$ 2,000	\$ -	\$ 43,002	\$ 13,921	\$ 3,367
Accounts receivable	169,341	3,395	-	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-	-	-	-
Due from State	-	-	-	-	-	-	-	21,546	-
Due from other governmental units	-	-	-	-	-	4,552	-	93	-
Prepaid expenses	2,861	56	-	-	-	1,124	-	2,175	-
TOTAL ASSETS	\$ 394,756	\$ 28,485	\$ 34,578	\$ 760	\$ 2,000	\$ 5,676	\$ 43,002	\$ 37,735	\$ 3,367
<u>LIABILITIES & FUND BALANCE</u>									
Liabilities:									
Accounts payable	\$ 5,536	\$ 300	\$ -	\$ -	\$ -	\$ 1,166	\$ -	\$ 28,446	\$ -
Checks written in excess of deposits	2,724	-	-	-	-	2,176	-	-	-
Accrued expenses	-	-	-	-	-	978	-	1,769	-
Due to other governmental units	-	-	-	-	-	-	33,000	-	-
Deferred revenue	169,217	-	-	-	-	-	-	-	-
TOTAL LIABILITIES	177,477	300	-	-	-	4,320	33,000	30,215	-
Fund Balance:									
Reserved	-	-	-	-	-	-	-	-	-
Unreserved	217,279	28,185	34,578	760	2,000	1,356	10,002	7,520	3,367
TOTAL FUND BALANCE	217,279	28,185	34,578	760	2,000	1,356	10,002	7,520	3,367
TOTAL LIABILITIES & FUND BALANCE	\$ 394,756	\$ 28,485	\$ 34,578	\$ 760	\$ 2,000	\$ 5,676	\$ 43,002	\$ 37,735	\$ 3,367

**KALKASKA COUNTY
COMBINING BALANCE SHEETS
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2007**

	Special Revenue Funds			Capital Project Funds				
	Veterans Trust	Commission On Aging	Total	County Building Fund	County Library Building Fund	County Building Authority	Total	Total Nonmajor Funds
<u>ASSETS</u>								
Cash	\$ 851	\$ 116,846	\$ 1,798,962	\$ 31,354	\$ 123,906	\$ 4,294	\$ 159,554	\$ 1,958,516
Accounts receivable	-	162,144	388,289	-	347	-	347	388,636
Due from other funds	-	-	-	-	-	-	-	-
Due from State	-	-	46,696	-	-	-	-	46,696
Due from other governmental units	-	-	18,707	-	-	-	-	18,707
Prepaid expenses	-	-	37,447	-	-	-	-	37,447
 TOTAL ASSETS	 <u>\$ 851</u>	 <u>\$ 278,990</u>	 <u>\$ 2,290,101</u>	 <u>\$ 31,354</u>	 <u>\$ 124,253</u>	 <u>\$ 4,294</u>	 <u>\$ 159,901</u>	 <u>\$ 2,450,002</u>
 <u>LIABILITIES & FUND BALANCE</u>								
Liabilities:								
Accounts payable	\$ 12	\$ -	\$ 57,815	\$ -	\$ -	\$ -	\$ -	\$ 57,815
Checks written in excess of deposits	-	-	15,211	-	-	-	-	15,211
Accrued expenses	-	-	14,865	-	-	-	-	14,865
Due to other funds	-	-	-	180,000	-	-	180,000	180,000
Due to other governmental units	-	-	33,000	-	-	-	-	33,000
Deferred revenue	-	162,144	332,268	2,206	-	-	2,206	334,474
 TOTAL LIABILITIES	 <u>12</u>	 <u>162,144</u>	 <u>453,159</u>	 <u>182,206</u>	 <u>-</u>	 <u>-</u>	 <u>182,206</u>	 <u>635,365</u>
Fund Balance:								
Reserved	-	-	4,262	-	-	-	-	4,262
Unreserved	839	116,846	1,832,680	(150,852)	124,253	4,294	(22,305)	1,810,375
 TOTAL FUND BALANCE	 <u>839</u>	 <u>116,846</u>	 <u>1,836,942</u>	 <u>(150,852)</u>	 <u>124,253</u>	 <u>4,294</u>	 <u>(22,305)</u>	 <u>1,814,637</u>
 TOTAL LIABILITIES & FUND BALANCE	 <u>\$ 851</u>	 <u>\$ 278,990</u>	 <u>\$ 2,290,101</u>	 <u>\$ 31,354</u>	 <u>\$ 124,253</u>	 <u>\$ 4,294</u>	 <u>\$ 159,901</u>	 <u>\$ 2,450,002</u>

KALKASKA COUNTY
COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007

Special Revenue Funds

	Bullet Proof Vest Fund	911 Equipment Fund	Parks and Recreation	Log Lake Park	Police Corps	Child Passenger Safety	Friend Of the Court	Animal Control Donation	Extension Strong Family Safe Child
REVENUES:									
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
License and permits	-	-	-	-	-	-	-	-	-
Federal grants	-	-	-	-	-	-	-	-	-
State grants	-	-	-	-	-	-	-	-	72,641
Other governmental revenue	-	-	-	-	-	-	6,033	-	-
Charges for services	-	-	17,256	927	-	-	2,249	-	-
Fines & forfeits	-	-	-	-	-	-	-	-	-
Interest & rents	-	-	10,049	17,203	-	-	-	-	-
Other	1,880	-	-	-	-	-	-	3,995	-
TOTAL REVENUES	1,880	-	27,305	18,130	-	-	8,282	3,995	72,641
EXPENDITURES:									
Judicial	-	-	-	-	-	-	45,493	-	-
General government	-	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	-	73,135
Health & welfare	-	-	-	-	-	-	-	-	-
Recreational & cultural	-	-	43,068	18,843	-	-	-	-	-
TOTAL EXPENDITURES	-	-	43,068	18,843	-	-	45,493	-	73,135
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1,880	-	(15,763)	(713)	-	-	(37,211)	3,995	(494)
OTHER FINANCING SOURCES (USES):									
Operating transfers in	-	-	16,500	-	-	-	37,220	-	-
Operating transfers (out)	-	-	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES	-	-	16,500	-	-	-	37,220	-	-
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	1,880	-	737	(713)	-	-	9	3,995	(494)
FUND BALANCE, beginning	3,719	50,819	1,736	6,717	2,585	3,448	3,206	34,838	494
FUND BALANCE, ending	\$ 5,599	\$ 50,819	\$ 2,473	\$ 6,004	\$ 2,585	\$ 3,448	\$ 3,215	\$ 38,833	\$ -

KALKASKA COUNTY
COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007

Special Revenue Funds

	State Domestic Preparedness	Central Purchasing	Elections	Vehicle Replacement Fund	Computer Fund	Courthouse Preservation	County Equipment	Sheriff Equipment Fund	Building Inspection Fund
REVENUES:									
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
License and permits	-	-	-	-	-	-	-	-	323,096
Federal grants	3,815	-	-	-	-	-	-	-	-
State grants	-	-	-	-	-	-	-	-	-
Other governmental revenue	-	-	-	-	-	-	-	-	-
Charges for services	-	15,108	-	-	-	-	-	-	-
Fines & forfeits	-	-	-	-	-	35,683	-	-	-
Interest & rents	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
TOTAL REVENUES	3,815	15,108	-	-	-	35,683	-	-	323,096
EXPENDITURES:									
Judicial	-	-	-	-	-	42,219	-	-	-
General government	-	13,714	-	-	-	-	2,750	-	-
Public safety	3,480	-	-	-	-	-	-	-	312,166
Health & welfare	-	-	-	25,663	-	-	-	-	-
Recreational & cultural	-	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	3,480	13,714	-	25,663	-	42,219	2,750	-	312,166
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	335	1,394	-	(25,663)	-	(6,536)	(2,750)	-	10,930
OTHER FINANCING SOURCES (USES):									
Operating transfers in	-	-	17,395	10,000	15,000	-	10,000	-	-
Operating transfers (out)	-	-	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES	-	-	17,395	10,000	15,000	-	10,000	-	-
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	335	1,394	17,395	(15,663)	15,000	(6,536)	7,250	-	10,930
FUND BALANCE, beginning	2,607	7,074	-	63,586	51,474	37,796	57,380	205	106,930
FUND BALANCE, ending	\$ 2,942	\$ 8,468	\$ 17,395	\$ 47,923	\$ 66,474	\$ 31,260	\$ 64,630	\$ 205	\$ 117,860

KALKASKA COUNTY
COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007

Special Revenue Funds

	Office Furniture	Zoning Training	Copier Replacement/ Repair	Building Improvement	911 Central Dispatch	Tower Repair	Rod Equipment/ Technology	Budget Stabilization	Equipment - Heating & Cooling
REVENUES:									
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
License and permits	-	-	-	-	-	-	-	-	-
Federal grants	-	-	-	-	-	-	-	-	-
State grants	-	-	-	-	110,172	-	-	-	-
Other governmental revenue	-	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	400,911	-	-	-	-
Fines & forfeits	-	-	-	-	-	-	-	-	-
Interest & rents	-	-	-	20,001	360	-	-	-	-
Other	-	-	-	-	-	-	27,956	-	-
TOTAL REVENUES	-	-	-	20,001	511,443	-	27,956	-	-
EXPENDITURES:									
Judicial	-	-	-	-	-	-	-	-	-
General government	-	-	9,368	-	-	-	37,487	-	4,000
Public safety	-	397	-	-	437,924	-	-	-	-
Health & welfare	-	-	-	-	-	-	-	-	-
Recreational & cultural	-	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	-	397	9,368	-	437,924	-	37,487	-	4,000
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	(397)	(9,368)	20,001	73,519	-	(9,531)	-	(4,000)
OTHER FINANCING SOURCES (USES):									
Operating transfers in	10,000	-	10,000	-	-	-	-	-	10,000
Operating transfers (out)	-	-	-	-	(89,475)	-	-	-	-
TOTAL OTHER FINANCING SOURCES	10,000	-	10,000	-	(89,475)	-	-	-	10,000
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	10,000	(397)	632	20,001	(15,956)	-	(9,531)	-	6,000
FUND BALANCE, beginning	54,452	397	24,688	79,438	83,258	3,178	24,373	351,088	40,502
FUND BALANCE, ending	\$ 64,452	\$ -	\$ 25,320	\$ 99,439	\$ 67,302	\$ 3,178	\$ 14,842	\$ 351,088	\$ 46,502

KALKASKA COUNTY
COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007

Special Revenue Funds

	Retiree Retirement	Sheriff's Computer Fund	Family Nutrition	Recycling Fund	Corrections Officers Training Fund	Community Corrections Plan	Voice Verification	Animal Control	Law Library
REVENUES:									
Taxes	\$ -	\$ -	\$ -	\$ 98	\$ -	\$ -	\$ -	\$ 108	\$ -
License and permits	-	-	-	-	-	-	-	-	-
Federal grants	-	-	-	-	-	-	-	-	-
State grants	-	-	-	-	-	39,442	-	-	-
Other governmental revenue	-	-	5,557	-	-	-	-	-	-
Charges for services	-	-	-	25,858	3,538	-	9,096	6,783	-
Fines & forfeits	-	-	-	-	-	-	-	-	2,500
Interest & rents	-	-	-	-	-	-	-	-	-
Other	137,019	2,493	-	-	-	-	-	-	-
TOTAL REVENUES	137,019	2,493	5,557	25,956	3,538	39,442	9,096	6,891	2,500
EXPENDITURES:									
Judicial	-	-	-	-	-	-	-	-	6,047
General government	-	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	655	-	1,171	81,118	-
Health & welfare	37,080	-	5,480	53,378	-	-	-	-	-
Recreational & cultural	-	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	37,080	-	5,480	53,378	655	-	1,171	81,118	6,047
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	99,939	2,493	77	(27,422)	2,883	39,442	7,925	(74,227)	(3,547)
OTHER FINANCING SOURCES (USES):									
Operating transfers in	35,000	-	-	-	-	-	-	74,780	5,000
Operating transfers (out)	-	-	-	-	-	(32,798)	(18,000)	-	-
TOTAL OTHER FINANCING SOURCES	35,000	-	-	-	-	(32,798)	(18,000)	74,780	5,000
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	134,939	2,493	77	(27,422)	2,883	6,644	(10,075)	553	1,453
FUND BALANCE, beginning	50,505	-	1,433	41,321	7,047	12,578	38,930	1,535	7,060
FUND BALANCE, ending	\$ 185,444	\$ 2,493	\$ 1,510	\$ 13,899	\$ 9,930	\$ 19,222	\$ 28,855	\$ 2,088	\$ 8,513

KALKASKA COUNTY
COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007

Special Revenue Funds

	County Library	Inmate Programs & Services	PBT Fund	Court Technology	RX Fund	Police Hiring Supplement	Family Independence Agency/FIA - Antrim	Child Care Fund	Veterans Relief
REVENUES:									
Taxes	\$ 169,938	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
License and permits	-	-	-	-	-	-	-	-	-
Federal grants	-	-	-	-	-	-	-	-	-
State grants	17,643	-	-	-	-	-	199,331	198,468	-
Other governmental revenue	-	-	-	-	-	72,413	-	16,000	-
Charges for services	7,834	17,104	10,059	-	-	-	-	-	-
Fines & forfeits	118,624	-	-	-	-	-	-	-	-
Interest & rents	8,162	-	-	-	-	-	-	-	-
Other	2,298	-	-	-	-	-	-	-	-
TOTAL REVENUES	324,499	17,104	10,059	-	-	72,413	199,331	214,468	-
EXPENDITURES:									
Judicial	-	-	-	-	-	-	-	-	-
General government	-	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	90,836	-	-	-
Health & welfare	-	1,287	-	-	-	-	217,817	370,436	889
Recreational & cultural	255,642	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	255,642	1,287	-	-	-	90,836	217,817	370,436	889
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	68,857	15,817	10,059	-	-	(18,423)	(18,486)	(155,968)	(889)
OTHER FINANCING SOURCES (USES):									
Operating transfers in	-	-	-	-	-	18,510	-	147,800	2,000
Operating transfers (out)	-	(5,000)	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES	-	(5,000)	-	-	-	18,510	-	147,800	2,000
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	68,857	10,817	10,059	-	-	87	(18,486)	(8,168)	1,111
FUND BALANCE, beginning	148,422	17,368	24,519	760	2,000	1,269	28,488	15,688	2,256
FUND BALANCE, ending	\$ 217,279	\$ 28,185	\$ 34,578	\$ 760	\$ 2,000	\$ 1,356	\$ 10,002	\$ 7,520	\$ 3,367

KALKASKA COUNTY
COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007

	Special Revenue Funds			Capital Projects Funds				Total Nonmajor Funds
	Veterans Trust	Commission On Aging	Total	County Building Fund	County Library Building Fund	County Building Authority	Total	
REVENUES:								
Taxes	\$ -	\$ 337,097	\$ 507,241	\$ -	\$ -	\$ -	\$ -	\$ 507,241
License and permits	-	-	323,096	-	-	-	-	323,096
Federal grants	-	48,000	51,815	-	-	-	-	51,815
State grants	-	123,796	761,493	-	-	-	-	761,493
Other governmental revenue	1,585	-	101,588	-	-	-	-	101,588
Charges for services	-	180,254	696,977	-	-	-	-	696,977
Fines & forfeits	-	-	156,807	-	-	-	-	156,807
Interest & rents	-	-	55,775	-	4,631	33	4,664	60,439
Other	-	-	175,641	45,061	-	-	45,061	220,702
TOTAL REVENUES	1,585	689,147	2,830,433	45,061	4,631	33	49,725	2,880,158
EXPENDITURES:								
Judicial	-	-	93,759	-	-	-	-	93,759
General government	-	-	67,319	14,175	-	-	14,175	81,494
Public safety	-	-	1,000,882	-	-	-	-	1,000,882
Health & welfare	1,501	636,384	1,349,915	-	-	-	-	1,349,915
Recreational & cultural	-	-	317,553	-	8,915	-	8,915	326,468
TOTAL EXPENDITURES	1,501	636,384	2,829,428	14,175	8,915	-	23,090	2,852,518
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	84	52,763	1,005	30,886	(4,284)	33	26,635	27,640
OTHER FINANCING SOURCES (USES):								
Operating transfers in	-	-	419,205	-	-	-	-	419,205
Operating transfers (out)	-	-	(145,273)	-	-	-	-	(145,273)
TOTAL OTHER FINANCING SOURCES	-	-	273,932	-	-	-	-	273,932
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	84	52,763	274,937	30,886	(4,284)	33	26,635	301,572
FUND BALANCE, beginning	755	64,083	1,562,005	(181,738)	128,537	4,261	(48,940)	1,513,065
FUND BALANCE, ending	\$ 839	\$ 116,846	\$ 1,836,942	\$ (150,852)	\$ 124,253	\$ 4,294	\$ (22,305)	\$ 1,814,637



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

June 24, 2008

To the Board of Commissioners
Kalkaska County
Kalkaska, Michigan

We have audited the basic financial statements of Kalkaska County for the year ended December 31, 2007, and have issued our report thereon dated June 24, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Kalkaska County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Kalkaska County internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Kalkaska County internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Kalkaska County ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Kalkaska County financial statements that is more than inconsequential will not be prevented or detected by Kalkaska County internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Kalkaska County internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and other matters

As part of obtaining reasonable assurance about whether Kalkaska County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, noncompliance with which would have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to the management of Kalkaska County in a separate Comments and Recommendations letter dated June 24, 2008.

This report is intended solely for the information and use of the Board of Commissioners, management, the Michigan Department of Treasury and is not intended to be and should not be used by anyone other than these specific parties.

Certified Public Accountants



June 24, 2008

Honorable Chairman and Members
Of the Board of Commissioners
Kalkaska County
Kalkaska, MI

In planning and performing our audit of the primary governments financial statements of Kalkaska County for the year ended December 31, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered Kalkaska County's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions in the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Governmental Unit's internal control. Accordingly, we do not express an opinion on the effectiveness of the Governmental Unit's internal control.

Our consideration of internal controls was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

During our audit, we noted the following control deficiencies that we do not consider to be a significant deficiency.

Clerks Receipts

During our audit we tested the clerks receipting procedures. Our tests disclosed the clerk does not timely deposit small receipts for copies and postage. The Clerk also uses a secondary receipt book for these charges. The Clerk records the cash receipts and issues a receipt to the customer for these charges, but then these small charges are accumulated until the end of the month and then deposited with the other cash receipts that clerk receives. The Clerk felt that the cost to use the official Clerk receipting book would out weight the value of making timely receipts for these small charges, due to the volume of miscellaneous cash receipts.

We recommend that the Clerk move to an automated cash receipting process, such as the Treasurer uses to receipt in and track revenues. Also, we recommend that all funds are receipted in a timely manner.

Other Post-Employment Benefits

Kalkaska County has other post-employment benefits, County paid retiree health insurance premiums, that meet the requirements established under Government Accounting Standards Board Statement (GASB) No. 45.

Effective during 2008, GASB Statement No. 45 requires governmental units to retain the services of actuary to determine and record the unfunded liability related to other post-employment benefits. We recommend that the County obtain an actuarial report or use an authorized alternative method to determine the unfunded liability related to other post-employment benefits.

This report is intended solely for the information and use of the Board of Commissioners, management, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

Certified Public Accountants